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Beamsville, June 28, 2006
2006-027

Canada's New Government Is Further Reducing the Tax Burden for Canadian Wineries and Breweries

Related documents:

- Federal Excise Duty on Beer
- Federal Excise Duty on Wine
- Canada's Alcoholic Beverages Industry
- Legislative Proposals Amending the *Excise Act, 2001* and the *Excise Act* in Respect of Canadian Wine and Beer
- Explanatory Notes

During a tour of the Peninsula Ridge Estates winery in Beamsville, Ontario, the Honourable Jim Flaherty, Minister of Finance, announced that Canada's new government is taking steps to stimulate further growth within the Canadian wine and beer industries. Beginning July 1, 2006, tax relief for both industries is being increased beyond what was contemplated in Budget 2006.

"The Canadian wine and beer industries make a significant contribution to our economy through job creation, tourism and sales of high quality products," said Minister Flaherty. "After consulting with both industries, we felt it was necessary to offer more tax relief than stated in our government's first budget."

Budget 2006 proposed to exempt from federal excise duty the first 500,000 litres of wine produced and packaged by a wine licensee per year made from 100 per cent Canadian-grown agricultural products. After further consultations with the industry, the 500,000 litre threshold will now be eliminated, allowing all Canadian wineries to benefit from the exemption on all their production of this 100 per cent Canadian product.

Budget 2006 proposed to provide federal excise duty relief for Canadian brewers who have produced and packaged no more than 300,000 hectolitres of beer in the previous calendar year and do not exceed that limit in the current calendar year. After further consultations with the industry, the 300,000 hectolitre threshold will now also be eliminated.

"With the changes we are making to these tax measures, it is estimated that the amount of tax relief being provided by Canada's new government will increase from $7 million to $10 million annually for the wine industry and from

$13.5 million to $18 million for the beer industry," added Minister Flaherty.

Draft legislative proposals are being released today to amend the Excise Act, 2001 and the Excise Act. Releasing the legislative proposals in draft form now provides greater clarity to taxpayers on how the proposals are intended to function. Additional details are provided in the detailed explanatory notes that are also being released.

The draft legislation reflects comments received by the Department of Finance since the budget. Any further comments should be addressed to the Department as soon as possible, so that they can be considered before amendments are tabled in Parliament. The Government intends to introduce these excise duty measures in a bill that will consist of Budget 2006 tax proposals not already included in Bill C-13.

Comments on the draft legislation can be addressed to:

Department of Finance Canada
Sales Tax Division
Alcohol, Tobacco and Excise Legislation Section
L'Esplanade Laurier
16th floor, East Tower
140 O'Connor Street
Ottawa, Ont.
K1A 0G5

The draft legislation and explanatory notes may be viewed on the Department of Finance website.

For further information, media may contact:

Dan Miles
Director of Communications
Office of the Minister of Finance
613 992-2014

David Gamble
Media Relations
Department of Finance
613 996-8080

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